

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name BURR OAK COMMUNITY SCHOOLS		County ST. JOSEPH	
Fiscal Year End 6/30/07		Opinion Date September 26, 2007		Date Audit Report Submitted to State October 22, 2007			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).



Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>	NOT CONSIDERED NECESSARY	
Other (Describe)		<input type="checkbox"/>	NOT CONSIDERED NECESSARY	
Certified Public Accountant (Firm Name) Siegfried Crandall P.C.			Telephone Number (269) 381-4970	
Street Address 246 E Kilgore			City Kalamazoo	State MI
			Zip 49002	
Authorizing CPA Signature 			Printed Name Daniel L. Veldhuizen	
			License Number 1101020724	

Burr Oak Community School District
Saint Joseph County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended June 30, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Burr Oak Community School District
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Burr Oak Community School District's (the District) financial performance provides a narrative overview of the District's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net assets decreased \$142,925 (13 percent) as a result of this year's operations.
- Of the \$938,848 total net assets reported, \$436,823 is available to be used to meet future operating and capital improvement needs.
- The General Fund's unreserved fund balance at the end of the fiscal year was \$409,796, which represents 15 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The District's annual financial report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide financial statements.
 - The governmental funds statements tell how general government services, like instruction and supporting services, were financed in the short term, as well as what remains for future spending.
 - Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

Burr Oak Community School District
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide statements (Continued)

The two government-wide statements report the District's net assets and how they have changed. Net assets (the difference between the District's assets and liabilities) is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors, such as changes in the condition of the District's capital assets.

The government-wide financial statements present governmental activities. These activities include functions most commonly associated with schools (e.g., instruction, food service, and athletics). Intergovernmental revenues and property taxes finance these activities.

Fund financial statements

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District has two kinds of funds:

- Governmental funds. Most of the District's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship (or differences) between them.
- Fiduciary funds. The District is the trustee, or fiduciary, for certain assets that - because of a trust arrangement - can only be used for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Burr Oak Community School District
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$938,848, a decrease of 13 percent compared to the prior year. Of this total, \$502,025 is invested in capital assets. Consequently, unrestricted net assets were \$436,823, or 47 percent of the total.

	<u>2007</u>	<u>2006</u>	<u>Percentage change</u>
Current assets	\$ 936,289	\$ 1,034,896	-10%
Capital assets	<u>502,025</u>	<u>536,383</u>	-6%
Total assets	<u>1,438,314</u>	<u>1,571,279</u>	-8%
Current liabilities	<u>499,466</u>	<u>489,506</u>	2%
Net assets:			
Invested in capital assets	<u>502,025</u>	<u>536,383</u>	-6%
Unrestricted	<u>436,823</u>	<u>545,390</u>	-20%
Total net assets	<u>\$ 938,848</u>	<u>\$ 1,081,773</u>	-13%

Changes in net assets. The District's total revenues are \$2,867,978, with approximately 73 percent coming from unrestricted state aid. The total cost of all the District's programs amounted to \$3,010,903.

	<u>2007</u>	<u>2006</u>	<u>Percentage change</u>
Program revenues:			
Charges for services	\$ 71,574	\$ 92,544	-23%
Operating grants	<u>500,607</u>	<u>340,263</u>	47%
General revenues:			
Unrestricted state aid	<u>2,096,736</u>	<u>2,223,041</u>	-6%
Property taxes	<u>155,288</u>	<u>148,372</u>	5%
Other	<u>43,773</u>	<u>28,031</u>	56%
Total revenues	<u>2,867,978</u>	<u>2,832,251</u>	1%
Expenses:			
Instruction	<u>1,874,176</u>	<u>1,854,001</u>	1%
Supporting services	<u>887,231</u>	<u>891,433</u>	0%
Food service	<u>128,420</u>	<u>113,560</u>	13%
Athletics	<u>121,076</u>	<u>123,151</u>	-2%
Total expenses	<u>3,010,903</u>	<u>2,982,145</u>	1%
Decrease in net assets	<u>\$ (142,925)</u>	<u>\$ (149,894)</u>	

Burr Oak Community School District
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental activities. Governmental activities decreased the District's net assets by \$142,925. The decrease is consistent with the prior year and is primarily caused by a decrease in unrestricted state-aid of approximately \$126,305.

The cost of all governmental activities this year was \$3,010,903. After subtracting the direct charges to those who directly benefited from the programs (\$71,574), and operating grants (\$500,607), the "public benefit" portion covered by state aid, property taxes, and other general revenues was \$2,438,722.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental funds. At June 30, 2007, the District's governmental funds reported a combined fund balance of \$436,823, a decrease of \$108,567 in comparison with the prior year.

The General Fund is the chief operating fund of the District. At the end of the fiscal year, unreserved fund balance was \$409,796. Total fund balance decreased by \$121,319 during the fiscal year primarily because of the decrease in state aid noted above. The General Fund continues to maintain an adequate unreserved fund balance approximating 15 percent of expenditures that will allow the District to maintain its current level of services.

General Fund budgetary highlights

The District amended the General Fund budget during the current year in accordance with state statutes. In an effort to control costs, total budgeted expenditures were decreased by \$29,179 (1 percent).

Capital assets and debt administration

Capital Assets

The District's investment in capital assets as of June 30, 2007, amounts to \$502,025 (net of accumulated depreciation). This investment includes a broad range of assets. The decrease in the District's net investment in capital assets for the current fiscal year was \$34,358.

Major capital asset events occurred during the current fiscal year included the following:

- Purchase of surveillance equipment for \$18,383
- Purchase of a computers for \$4,662

More detailed information about the District's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt administration

The District had no long-term debt at the beginning or end of the current fiscal year.

Economic factors and next year's budget

The District's budget for the next year projects further reductions in state aid. The District has set aside enough net assets to offset this loss in revenues.

Burr Oak Community School District
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Contacting the District's financial management

This financial report is designed to provide a general overview of the District's finances to those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Business Manager
Burr Oak Community School District
326 East Eagle Street
P.O. Box 337
Burr Oak, Michigan 49030

Phone: (269) 489-2213

INDEPENDENT AUDITORS' REPORT

**Board of Education
Burr Oak Community School District**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Burr Oak Community School District, as of June 30, 2007, and for the year then ended, which collectively comprise the Burr Oak Community School District's basic financial statements as listed in the contents. These financial statements are the responsibility of the Burr Oak Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Burr Oak Community School District at June 30, 2007, and the respective changes in financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information, as listed in the contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education
Burr Oak Community School District

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Burr Oak Community School District's basic financial statements. The supplementary information, as listed in the contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have issued our report dated September 26, 2007, on our consideration of Burr Oak Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Sigfried Crandall P.C.

September 26, 2007

BASIC FINANCIAL STATEMENTS

Burr Oak Community School District
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 472,227
Receivables	448,490
Prepays	4,156
Inventories	<u>11,416</u>
Total current assets	936,289
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>502,025</u>
Total assets	<u>1,438,314</u>
LIABILITIES	
Current liabilities:	
Payables	199,466
Short-term notes payable	<u>300,000</u>
Total current liabilities	<u>499,466</u>
NET ASSETS	
Invested in capital assets	502,025
Unrestricted	<u>436,823</u>
Total net assets	<u>\$ 938,848</u>

See notes to the financial statements

Burr Oak Community School District
STATEMENT OF ACTIVITIES
Year ended June 30, 2007

		<u>Program revenues</u>		<u>Net (expenses)</u> <u>revenues and</u> <u>changes in</u> <u>net assets</u>
		<u>Charges for</u>	<u>Operating</u> <u>grants and</u> <u>contributions</u>	<u>Governmental</u> <u>activities</u>
	<u>Expenses</u>	<u>services</u>		
Functions/Programs				
Governmental activities:				
Instruction	\$ 1,874,176	\$ 12,068	\$ 389,969	\$ (1,472,139)
Supporting services	887,231	59,506	110,638	(717,087)
Food service	128,420	-	-	(128,420)
Athletics	121,076	-	-	(121,076)
Total governmental activities	<u>\$ 3,010,903</u>	<u>\$ 71,574</u>	<u>\$ 500,607</u>	<u>(2,438,722)</u>
General revenues:				
State aid not restricted to specific purposes				2,096,736
Property taxes				155,288
Interest income				14,441
Other				<u>29,332</u>
Total general revenues				<u>2,295,797</u>
Change in net assets				(142,925)
Net assets - beginning				<u>1,081,773</u>
Net assets - ending				<u>\$ 938,848</u>

See notes to the financial statements

Burr Oak Community School District
BALANCE SHEET - governmental funds

June 30, 2007

	<u>General</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS			
Cash	\$ 452,116	\$ 20,111	\$ 472,227
Receivables	447,738	752	448,490
Due from other funds	5,252	-	5,252
Prepaid expenses	4,156	-	4,156
Inventories	5,000	6,416	11,416
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 914,262</u>	<u>\$ 27,279</u>	<u>\$ 941,541</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 199,466	\$ -	\$ 199,466
Note payable	300,000	-	300,000
Due to other funds	-	5,252	5,252
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>499,466</u>	<u>5,252</u>	<u>504,718</u>
Fund balances:			
Reserved for inventories	5,000	6,416	11,416
Unreserved:			
Designated	124,000	-	124,000
Undesignated	285,796	-	285,796
Undesignated, reported in nonmajor:			
Special revenue funds	-	15,611	15,611
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>414,796</u>	<u>22,027</u>	<u>436,823</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 914,262</u>	<u>\$ 27,279</u>	<u>\$ 941,541</u>
Total fund balances - all governmental funds			\$ 436,823
Amounts reported for governmental activities in the statement of activities (page 6) are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
			<u>502,025</u>
Net assets of governmental activities			<u>\$ 938,848</u>

See notes to the financial statements

Burr Oak Community School District**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds***Year ended June 30, 2007*

	<u>General</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES			
Local sources:			
Property taxes	\$ 155,288	\$ -	\$ 155,288
Other	69,144	46,653	115,797
State sources	2,350,899	4,894	2,355,793
Federal sources	135,356	105,744	241,100
	<u>2,710,687</u>	<u>157,291</u>	<u>2,867,978</u>
Total revenues			
	<u>2,710,687</u>	<u>157,291</u>	<u>2,867,978</u>
EXPENDITURES			
Instruction	1,838,674	-	1,838,674
Supporting services	864,353	-	864,353
Food service	-	128,420	128,420
Athletics	-	112,999	112,999
Capital outlay	32,099	-	32,099
	<u>2,735,126</u>	<u>241,419</u>	<u>2,976,545</u>
Total expenditures			
	<u>2,735,126</u>	<u>241,419</u>	<u>2,976,545</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(24,439)</u>	<u>(84,128)</u>	<u>(108,567)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	96,880	96,880
Transfers out	(96,880)	-	(96,880)
	<u>(96,880)</u>	<u>96,880</u>	<u>-</u>
Total other financing sources (uses)			
	<u>(96,880)</u>	<u>96,880</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(121,319)	12,752	(108,567)
FUND BALANCES - BEGINNING	<u>536,115</u>	<u>9,275</u>	<u>545,390</u>
FUND BALANCES - ENDING	<u>\$ 414,796</u>	<u>\$ 22,027</u>	<u>\$ 436,823</u>

See notes to the financial statements

Burr Oak Community School District
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds (Continued)
Year ended June 30, 2007

***Total
governmental
funds***

Net change in fund balances - total governmental funds \$ (108,567)

Amounts reported for *governmental activities* in the statement of activities (Page 6) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Add: assets acquired	26,974
Less: provision for depreciation	<u>(61,332)</u>

Change in net assets of *governmental activities* \$ (142,925)

Burr Oak Community School District
STATEMENT OF FIDUCIARY NET ASSETS - fiduciary funds
June 30, 2007

	<i>Private-purpose trusts</i>	<i>Agency</i>
ASSETS		
Cash	\$ 37,622	\$ 54,979
Loans receivable	<u>2,674</u>	<u>-</u>
Total assets	<u>40,296</u>	<u>54,979</u>
LIABILITIES		
Due to student groups	<u>-</u>	<u>54,979</u>
NET ASSETS		
Held in trust for other purposes	<u>\$ 40,296</u>	<u>\$ -</u>

See notes to the financial statements

Burr Oak Community School District

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - *fiduciary funds*

June 30, 2007

	<u><i>Private-purpose trusts</i></u>
ADDITIONS	
Interest:	
Investments	\$ 964
Loans	<u>125</u>
Total additions	1,089
DEDUCTIONS	
Scholarships awarded	<u>250</u>
CHANGE IN NET ASSETS	839
NET ASSETS - BEGINNING	<u>39,457</u>
NET ASSETS - ENDING	<u><u>\$ 40,296</u></u>

See notes to the financial statements

Burr Oak Community School District
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of Burr Oak Community School District (the District) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies used by the District:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the District. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The District has determined that no outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the District's financial statements.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of all interfund activity has been removed from these statements. Governmental activities, normally supported by intergovernmental revenues and taxes, are reported in these statements. All of the District's activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund is reported as a separate column in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Burr Oak Community School District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Additionally, the District reports the following fund types:

The private-purpose trust funds are used to account for resources legally held in trust for use by students seeking higher education. All resources of the funds, including any earnings on invested resources, may be used to provide scholarships and loans to students seeking higher education. There is no requirement that any portion of these resources be preserved as capital.

The Agency Fund accounts for assets held for student groups in an agency capacity.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict the standards of the Governmental Accounting Standards Board. The District has elected not to follow subsequent private-sector standards.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) Assets, liabilities, and net assets or equity:

i) Deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Burr Oak Community School District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

ii) Receivables and payables - In general, outstanding balances between funds are reported as "due to/from other funds." All receivables are considered to be fully collectible.

iii) Inventories - All inventories are valued at cost using the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

iv) Capital assets - Capital assets, which include property, equipment, and vehicles, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 50 years
Furniture and equipment	3 - 20 years
Vehicles	8 years

v) Compensated absences - It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated vacation and sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. The contingent liability for unpaid accumulated vacation and sick leave has been reported in Note 9.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) Property tax recognition - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before September 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the District. Property tax revenue is recognized in the year for which taxes have been levied and become available. The District levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

Burr Oak Community School District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the debt service fund, which is not required to adopt a budget. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the Board is the functional level. All annual appropriations lapse at the end of the fiscal year. The District did not experience any significant budget variances during the current fiscal year.

NOTE 3 - CASH:

Cash as of June 30, 2007, is classified in the accompanying financial statements as follows:

Statement of net assets:	\$ 472,227
Fiduciary funds - cash	<u>92,601</u>
Total cash	<u>\$ 564,828</u>

Cash as of June 30, 2007, consists of the following:

Cash on hand	\$ 200
Deposits with financial institutions	<u>564,628</u>
Total cash	<u>\$ 564,828</u>

State statutes and the District's investment policy authorize the District to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The District's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the District will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of June 30, 2007, \$478,221 of the District's bank balances of \$600,229 was exposed to custodial credit risk because it was uninsured. The District believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the District evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Burr Oak Community School District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

At June 30, 2007, the District's receivables were as follows:

	<u>Property taxes</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental funds:			
General Fund	\$ 8,658	\$ 439,080	\$ 447,738
Nonmajor governmental funds	<u>-</u>	<u>752</u>	<u>752</u>
 Total	 <u>\$ 8,658</u>	 <u>\$ 439,832</u>	 <u>\$ 448,490</u>

All receivables are due within one year and are considered to be fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets being depreciated:				
Buildings	1,177,846	-	-	1,177,846
Furniture and equipment	1,198,643	26,974	-	1,225,617
Vehicles	<u>204,810</u>	<u>-</u>	<u>-</u>	<u>204,810</u>
 Subtotal	 <u>2,581,299</u>	 <u>26,974</u>	 <u>-</u>	 <u>2,608,273</u>
 Less accumulated depreciation for:				
Buildings	(784,125)	(12,927)	-	(797,052)
Furniture and equipment	(1,082,404)	(34,816)	-	(1,117,220)
Vehicles	<u>(178,387)</u>	<u>(13,589)</u>	<u>-</u>	<u>(191,976)</u>
 Subtotal	 <u>(2,044,916)</u>	 <u>(61,332)</u>	 <u>-</u>	 <u>(2,106,248)</u>
 Total capital assets being depreciated, net	 <u>\$ 536,383</u>	 <u>\$ (34,358)</u>	 <u>\$ -</u>	 <u>\$ 502,025</u>

Burr Oak Community School District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to governmental activities of the District as follows:

Instruction	\$ 30,377
Supporting services	22,878
Athletics	<u>8,077</u>
Total	<u>\$ 61,332</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At June 30, 2007, the composition of the District's interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$ <u>5,252</u>	Food service	\$ <u>5,252</u>

The interfund receivable and payable balances resulted from the time lag between the dates that interfund goods and services are provided and payments between funds are made.

A summary of interfund transfers for the year ended June 30, 2007, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Other governmental funds	\$ <u>96,880</u>	General	\$ <u>96,880</u>

The transfers out of the General Fund moved unrestricted resources to supplement operational costs of the Athletic Fund and the Food Service Fund in accordance with budgetary requirements.

NOTE 7 - PAYABLES:

At June 30, 2007, the District's payables were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
General	\$ <u>13,728</u>	\$ <u>185,738</u>	\$ <u>199,466</u>

NOTE 8 - NOTE PAYABLE:

At June 30, 2007, the District has outstanding a \$300,000 state aid note dated September 14, 2006. The note, with an interest rate of 4.19%, matures August 20, 2007. The note is secured by the full faith and credit of the District as well as pledged state aid.

Burr Oak Community School District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLAN:

Plan description - The District participates in the Michigan Public School Employees' Retirement System (MPERS), a cost-sharing, multiple-employer defined benefit pension plan that covers all employees of the District. MPERS provides retirement, survivor, and disability and death benefits to plan members and their beneficiaries. Public Act 300 of 1980 of the State of Michigan assigns the authority to establish and amend benefit provisions to the MPERS Board of Trustees. MPERS issues a publicly-available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MPERS, P.O. Box 30673, Lansing, Michigan 48909-8103, or, by calling 1-800-381-5111.

Funding policy - Employer contributions to MPERS result from the implementing effects of the School Finance Reform Act. Each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

Annual pension costs - The District is currently required to contribute 17.74 percent of its annual covered payroll. The contribution requirements of the plan members are established, and may be amended, by the MPERS Board of Trustees. The District's contributions to the Plan for the years ending June 30, 2007, 2006, and 2005, were \$278,103, \$248,030, and \$220,942, respectively, equal to the required contributions for each year.

NOTE 10 - CONTINGENT LIABILITIES:

The District is a reimbursing employer to the Michigan Employment Security Commission (MESC) and, as such, is responsible to pay MESC for those benefits paid and charged to its account. As of June 30, 2007, appropriate liabilities have been recorded for all claims paid by MESC. However, no provision has been made for future payments that might result from claims in process or unfilled.

The District is contingently liable at June 30, 2007, for approximately \$350,000 of nonvested accumulated sick pay benefits.

NOTE 11 - RISK MANAGEMENT:

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and medical benefits provided to employees. The District has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Burr Oak Community School District
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES FROM LOCAL SOURCES				
Property taxes	\$ 139,070	\$ 155,070	\$ 155,288	\$ 218
Interest	10,000	10,000	14,441	4,441
Other	<u>72,728</u>	<u>89,728</u>	<u>54,703</u>	<u>(35,025)</u>
Total revenues from local sources	<u>221,798</u>	<u>254,798</u>	<u>224,432</u>	<u>(30,366)</u>
REVENUES FROM STATE SOURCES				
Direct appropriations from the state - state school aid	2,232,000	2,098,731	2,096,736	(1,995)
Restricted grants:				
Special education	73,000	69,349	75,027	5,678
At-risk	74,000	96,928	96,757	(171)
Other	<u>125,300</u>	<u>173,576</u>	<u>82,379</u>	<u>(91,197)</u>
Total revenues from state sources	<u>2,504,300</u>	<u>2,438,584</u>	<u>2,350,899</u>	<u>(87,685)</u>
REVENUES FROM FEDERAL SOURCES				
Appropriations from the state representing:				
Title I	74,000	71,225	65,847	(5,378)
Title II	22,200	21,931	21,757	(174)
Title V	1,200	644	622	(22)
REAP grant	-	45,219	42,183	(3,036)
Safe and drug free schools	2,100	2,100	947	(1,153)
Other	<u>7,000</u>	<u>18,383</u>	<u>4,000</u>	<u>(14,383)</u>
Total revenues from federal sources	<u>106,500</u>	<u>159,502</u>	<u>135,356</u>	<u>(24,146)</u>
Total revenues	<u>2,832,598</u>	<u>2,852,884</u>	<u>2,710,687</u>	<u>(142,197)</u>

Burr Oak Community School District
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES				
Instruction:				
Elementary grades:				
Salaries of teachers	\$ 261,236	\$ 261,236	\$ 258,725	\$ 2,511
Salaries of substitutes and aides	22,000	14,280	14,703	(423)
Teaching supplies	6,000	6,000	5,545	455
Textbooks	5,000	5,000	4,986	14
Consumable books	3,000	3,000	2,540	460
Fringe benefits	146,920	135,920	137,837	(1,917)
Other	4,226	6,226	8,016	(1,790)
Total elementary grades	<u>448,382</u>	<u>431,662</u>	<u>432,352</u>	<u>(690)</u>
Secondary grades:				
Salaries of teachers	448,662	448,662	419,388	29,274
Salaries for extra duty assignments	23,000	22,650	20,726	1,924
Salaries of substitutes	7,000	5,280	5,360	(80)
Teaching supplies	13,000	13,000	10,812	2,188
Textbooks	7,000	7,000	5,769	1,231
Consumable books	3,600	3,600	1,470	2,130
Fringe benefits	261,932	249,532	243,746	5,786
Dual enrollment tuition	9,000	10,000	10,031	(31)
E learning	-	23,307	23,308	(1)
Other	22,910	31,610	20,739	10,871
Total secondary grades	<u>796,104</u>	<u>814,641</u>	<u>761,349</u>	<u>53,292</u>
Guidance services:				
Salaries of guidance counselors	48,281	48,281	47,403	878
Salaries of secretaries	5,000	900	889	11
Fringe benefits	19,400	19,750	18,363	1,387
Other	3,000	1,000	149	851
Total guidance services	<u>75,681</u>	<u>69,931</u>	<u>66,804</u>	<u>3,127</u>
MSR				
Salaries of teachers	15,511	15,511	14,661	850
Salaries of substitutes and aides	400	7,080	4,112	2,968
Fringe benefits	12,040	8,870	8,341	529
Other	3,000	9,900	8,265	1,635
Total MSR	<u>30,951</u>	<u>41,361</u>	<u>35,379</u>	<u>5,982</u>

Burr Oak Community School District
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Instruction (continued):				
Principals office:				
Salaries of principals	\$ 88,565	\$ 87,994	\$ 87,688	\$ 306
Salaries of secretaries	51,539	58,491	55,675	2,816
Fringe benefits	63,572	59,572	60,711	(1,139)
Travel, workshops, and conferences	1,500	1,500	1,583	(83)
Miscellaneous supplies	<u>5,600</u>	<u>6,900</u>	<u>6,856</u>	<u>44</u>
Total principal office	<u>210,776</u>	<u>214,457</u>	<u>212,513</u>	<u>1,944</u>
Summer school:				
Salaries of teachers	5,000	2,000	1,890	110
Salaries of aides and substitutes	450	450	393	57
Teaching supplies	750	310	303	7
Fringe benefits	<u>876</u>	<u>876</u>	<u>551</u>	<u>325</u>
Total summer school	<u>7,076</u>	<u>3,636</u>	<u>3,137</u>	<u>499</u>
Special education:				
Salaries of teachers	74,032	67,160	67,342	(182)
Salaries of aides and substitutes	22,305	22,085	20,491	1,594
Fringe benefits	47,661	41,861	39,652	2,209
Supplies	1,700	1,700	1,293	407
Other	<u>700</u>	<u>1,250</u>	<u>748</u>	<u>502</u>
Total special education	<u>146,398</u>	<u>134,056</u>	<u>129,526</u>	<u>4,530</u>
Compensatory education:				
Salaries of teachers	83,937	73,115	79,154	(6,039)
Salaries of aides and substitutes	11,047	10,887	11,480	(593)
Fringe benefits	51,190	48,140	46,079	2,061
Other	<u>3,250</u>	<u>3,500</u>	<u>2,459</u>	<u>1,041</u>
Total compensatory education	<u>149,424</u>	<u>135,642</u>	<u>139,172</u>	<u>(3,530)</u>
Tuition to other schools	<u>59,973</u>	<u>58,200</u>	<u>58,442</u>	<u>(242)</u>
Total instruction	<u>1,924,765</u>	<u>1,903,586</u>	<u>1,838,674</u>	<u>64,912</u>

Burr Oak Community School District
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Supporting services:				
Library:				
Salary	\$ 39,641	\$ 39,641	\$ 39,338	\$ 303
Library books	700	700	265	435
Newspaper and periodicals	850	850	458	392
Audio visual and computer supplies	1,500	1,200	1,023	177
Fringe benefits	16,250	16,250	16,217	33
Total library	<u>58,941</u>	<u>58,641</u>	<u>57,301</u>	<u>1,340</u>
Instructional improvement	<u>29,443</u>	<u>35,285</u>	<u>37,190</u>	<u>(1,905)</u>
Suspension aide:				
Salary	19,000	10,000	9,545	455
Fringe benefits	4,825	2,400	2,416	(16)
Total suspension aide	<u>23,825</u>	<u>12,400</u>	<u>11,961</u>	<u>439</u>
Summer recreation program	<u>10,726</u>	<u>11,770</u>	<u>9,892</u>	<u>1,878</u>
Career preparation	<u>4,911</u>	<u>5,011</u>	<u>4,515</u>	<u>496</u>
Health services - contracted services	<u>700</u>	<u>700</u>	<u>-</u>	<u>700</u>
Administration:				
Salaries of board of education	4,200	4,200	3,780	420
Salary of superintendent	77,447	76,680	77,196	(516)
Salary of business manager	40,328	39,929	39,929	-
Office clerk salary	4,900	3,400	2,593	807
Legal fees	4,000	4,000	3,856	144
Audit fees	10,250	9,250	9,000	250
Office supplies	6,700	6,700	7,673	(973)
Postage	4,200	4,200	3,232	968
Travel, workshops, and conferences	7,700	7,700	11,315	(3,615)
Publishing and printing	200	400	727	(327)
Fringe benefits	65,147	60,352	60,209	143
Insurance	4,384	4,700	3,596	1,104
Interest expense	9,375	7,500	9,500	(2,000)
Miscellaneous	9,450	17,200	8,534	8,666
Total administration	<u>248,281</u>	<u>246,211</u>	<u>241,140</u>	<u>5,071</u>

Burr Oak Community School District**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Supporting services (continued):				
Transportation:				
Salaries of bus drivers	\$ 33,600	\$ 36,000	\$ 37,673	\$ (1,673)
Salary of transportation supervisor	13,500	13,500	13,000	500
Salaries for special events	7,000	7,000	5,372	1,628
Salaries of bus aides	6,700	6,700	6,152	548
Gasoline, oil, and grease	23,000	27,000	26,774	226
Tires, tubes, and batteries	1,700	1,700	1,171	529
Vehicle repairs/parts	21,500	20,000	17,492	2,508
Vehicle insurance	2,300	2,300	2,273	27
Fringe benefits	29,435	26,935	26,613	322
Miscellaneous	<u>2,850</u>	<u>2,850</u>	<u>1,792</u>	<u>1,058</u>
Total transportation	<u>141,585</u>	<u>143,985</u>	<u>138,312</u>	<u>5,673</u>
Operation and maintenance:				
Salaries and custodial services	66,384	66,384	59,662	6,722
Heating fuel	50,000	38,000	33,949	4,051
Utilities	51,300	51,500	47,578	3,922
Telephone	5,800	4,000	3,493	507
Insurance	12,500	12,500	12,066	434
Custodial supplies	40,000	40,000	46,576	(6,576)
Contracted plant maintenance	14,500	23,500	18,016	5,484
Fringe benefits	42,855	40,655	38,931	1,724
Miscellaneous	<u>5,000</u>	<u>5,500</u>	<u>3,173</u>	<u>2,327</u>
Total operation and maintenance	<u>288,339</u>	<u>282,039</u>	<u>263,444</u>	<u>18,595</u>

Burr Oak Community School District**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Technology coordinator:				
Salary	\$ 47,908	\$ 47,434	\$ 47,434	\$ -
Fringe benefits	27,665	24,665	24,811	(146)
Contracted services	22,000	30,000	28,150	1,850
Travel, workshops, and conferences	<u>1,320</u>	<u>1,320</u>	<u>203</u>	<u>1,117</u>
Total technology coordinator	<u>98,893</u>	<u>103,419</u>	<u>100,598</u>	<u>2,821</u>
Total supporting services	<u>905,644</u>	<u>899,461</u>	<u>864,353</u>	<u>35,108</u>
Capital outlay - new and replacement furniture and equipment	<u>39,000</u>	<u>37,183</u>	<u>32,099</u>	<u>5,084</u>
Total expenditures	<u>2,869,409</u>	<u>2,840,230</u>	<u>2,735,126</u>	<u>105,104</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(36,811)	12,654	(24,439)	(37,093)
OTHER FINANCING USES				
Transfers out	<u>(87,300)</u>	<u>(120,790)</u>	<u>(96,880)</u>	<u>23,910</u>
NET CHANGE IN FUND BALANCES	(124,111)	(108,136)	(121,319)	(13,183)
FUND BALANCES - BEGINNING	<u>536,115</u>	<u>536,115</u>	<u>536,115</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 412,004</u>	<u>\$ 427,979</u>	<u>\$ 414,796</u>	<u>\$ (13,183)</u>

SUPPLEMENTARY INFORMATION

Burr Oak Community School District
COMBINING BALANCE SHEET - nonmajor governmental funds
June 30, 2007

	<u>Special revenue funds</u>		<u>Total nonmajor governmental funds</u>
	<u>Food Service</u>	<u>Athletic Activities</u>	
ASSETS			
Cash	\$ 19,837	\$ 274	\$ 20,111
Receivables	752	-	752
Inventory	6,416	-	6,416
Total assets	<u>\$ 27,005</u>	<u>\$ 274</u>	<u>\$ 27,279</u>
LIABILITIES AND FUND BALANCES			
Liabilities - due to other funds	<u>\$ 5,252</u>	<u>\$ -</u>	<u>\$ 5,252</u>
Fund balances:			
Reserved for inventory	6,416	-	6,416
Unreserved, undesignated	<u>15,337</u>	<u>274</u>	<u>15,611</u>
Total fund balances	<u>21,753</u>	<u>274</u>	<u>22,027</u>
Total liabilities and fund balances	<u>\$ 27,005</u>	<u>\$ 274</u>	<u>\$ 27,279</u>

Burr Oak Community School District
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - nonmajor governmental funds
Year ended June 30, 2007

	<u>Special revenue funds</u>		<u>Total nonmajor governmental funds</u>
	<u>Food Service</u>	<u>Athletics</u>	
REVENUES			
Local sources:			
Food service	\$ 25,681	\$ -	\$ 25,681
Athletic gate receipts	-	16,024	16,024
Other	3,582	1,366	4,948
State grants	4,894	-	4,894
Federal grants	105,744	-	105,744
Total revenues	<u>139,901</u>	<u>17,390</u>	<u>157,291</u>
EXPENDITURES			
Current:			
Food purchases	53,788	-	53,788
Salaries and wages	41,985	61,787	103,772
Fringe benefits	23,540	22,702	46,242
Commodity usage	1,632	-	1,632
Supplies	3,375	8,163	11,538
Contracted services	588	-	588
Miscellaneous	3,512	20,347	23,859
Total expenditures	<u>128,420</u>	<u>112,999</u>	<u>241,419</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11,481	(95,609)	(84,128)
OTHER FINANCING SOURCES			
Transfers in - General Fund	<u>1,590</u>	<u>95,290</u>	<u>96,880</u>
NET CHANGE IN FUND BALANCES	13,071	(319)	12,752
FUND BALANCES - BEGINNING	<u>8,682</u>	<u>593</u>	<u>9,275</u>
FUND BALANCES - ENDING	<u>\$ 21,753</u>	<u>\$ 274</u>	<u>\$ 22,027</u>

Burr Oak Community School District
COMBINING BALANCE SHEET - private-purpose trust funds
June 30, 2007

	<u><i>Educational Loan</i></u>	<u><i>Endowment Scholarship</i></u>	<u><i>Totals</i></u>
ASSETS			
Cash	\$ 29,615	\$ 8,007	\$ 37,622
Loans receivable	<u>2,674</u>	<u>-</u>	<u>2,674</u>
Total assets	<u>\$ 32,289</u>	<u>\$ 8,007</u>	<u>\$ 40,296</u>
 FUND BALANCES	 <u>\$ 32,289</u>	 <u>\$ 8,007</u>	 <u>\$ 40,296</u>

Burr Oak Community School District

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - private-purpose trust funds**

Year ended June 30, 2007

	<u><i>Educational Loan</i></u>	<u><i>Endowment Scholarship</i></u>	<u><i>Totals</i></u>
REVENUES			
Local sources:			
Interest	\$ 728	\$ 236	\$ 964
Other	<u>125</u>	<u>-</u>	<u>125</u>
Total revenues	853	236	1,089
EXPENDITURES	<u>-</u>	<u>250</u>	<u>250</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	853	(14)	839
NET ASSETS - BEGINNING	<u>31,436</u>	<u>8,021</u>	<u>39,457</u>
NET ASSETS - ENDING	<u>\$ 32,289</u>	<u>\$ 8,007</u>	<u>\$ 40,296</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Board of Education
Burr Oak Community School District**

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Burr Oak Community School District, as of and for the year ended June 30, 2007, which collectively comprise Burr Oak Community School District basic financial statements and have issued our report thereon dated September 26, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Burr Oak Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Burr Oak Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Burr Oak Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Burr Oak Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Burr Oak Community School District's financial statements that is more than inconsequential will not be

prevented or detected by Burr Oak Community School District's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

- The District does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Burr Oak Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

Compliance and other matters

As part of obtaining reasonable assurance about whether Burr Oak Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management and the Board of Education and is not intended to be, and should not be, used by anyone other than these specified parties.

Sigfried Crandall P.C.

September 26, 2007